

# Alaska Permanent Fund

Growth  
and  
stability  
for  
Alaska's  
future

## WHAT IS THE ALASKA PERMANENT FUND?



The Permanent Fund is an investment fund created by Alaskans in 1976 as a way to save a portion of our oil revenues for the needs of future generations. On June 30, 2004 the Fund was worth \$27.4 billion.

## WHO MANAGES THE PERMANENT FUND?

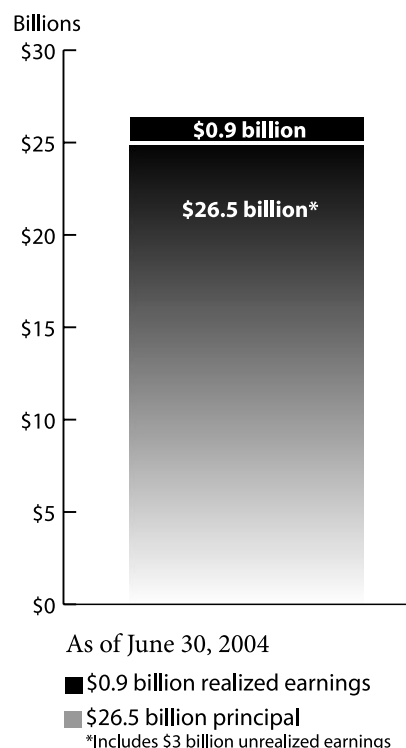
The Alaska Permanent Fund Corporation manages the day-to-day operations of the Fund and is overseen by a six-member Board of Trustees appointed by the governor and selected for their experience.



Board of Trustees as pictured from left to right:  
Gregg Renkes, William A. Corbus, Vice Chair Steve Frank,  
Eric E. Wohlforth, Bill Hudson, and Chair Carl Brady.

## HOW DOES THE FUND WORK?

The Fund is divided into two parts, principal and earnings, both of which are fully invested. The Alaska Constitution says that the principal may not be spent. The earnings in the earnings reserve account may be spent by the Legislature for any purpose it wishes. Currently earnings are only spent on the Permanent Fund Dividend.

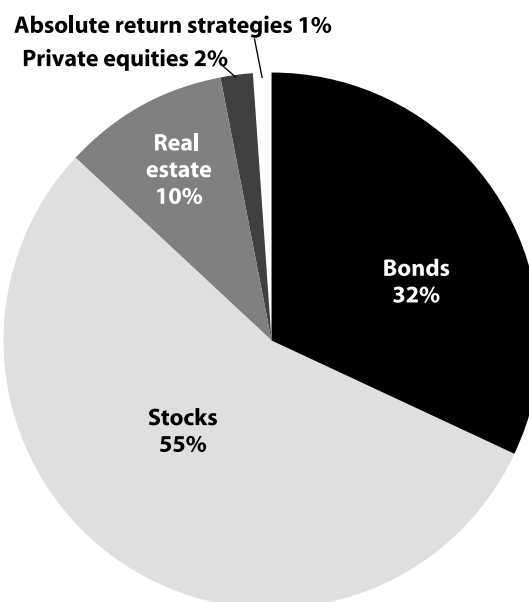


## HOW DOES MONEY GO INTO THE EARNINGS RESERVE ACCOUNT?

Realized earnings go into the earnings reserve account. This is the income from bond interest, real estate rent payments, stock dividends and the gains from assets that are sold at a profit. Unrealized earnings remain in principal until the assets are sold.

## HOW IS THE FUND INVESTED?

Originally the Fund was only invested in bonds. Now it is invested in a number of different asset classes, which earn income and gain in value. By diversifying the Fund into these different assets, the Trustees ensure that it is better protected for the future. When one asset class has a down year, it is often balanced by good performance in other asset classes.



## HOW IS THE DIVIDEND DETERMINED?

On June 30 of each year, the statutory income of the Fund for the last five years is averaged together and half of that amount is available for the dividend. Then that amount is divided by the number of qualified applicants for the dividend.

## BALANCE SHEETS

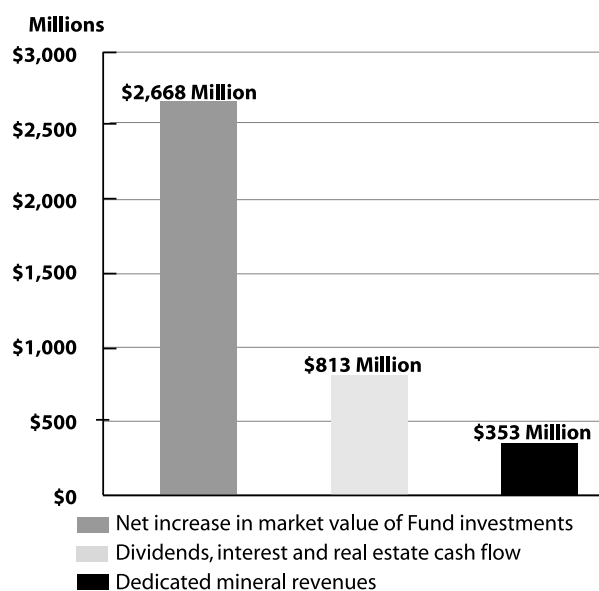
	2004	2003
<b>Assets</b>		
Cash and temporary investments	\$ 1,496,994,000	637,752,000
Receivables, prepaid expenses and other assets	243,562,000	381,587,000
Investments —		
Marketable debt securities	9,285,020,000	9,082,157,000
Preferred and common stock	15,836,268,000	12,750,289,000
Real estate	2,086,928,000	2,057,104,000
Alaska certificates of deposit	172,759,000	196,802,000
Total investments	27,380,975,000	24,086,352,000
<b>Total assets</b>	<b>\$ 29,121,531,000</b>	<b>25,105,691,000</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,140,445,000	220,275,000
Income distributable to the State of Alaska	581,246,000	691,082,000
<b>Total liabilities</b>	<b>1,721,691,000</b>	<b>911,357,000</b>
<b>Fund Balances</b>		
Reserved – principal		
Contributions and appropriations	23,525,752,000	22,988,019,000
Unrealized appreciation on invested assets	3,015,548,000	1,106,315,000
Total reserved	26,541,300,000	24,094,334,000
Unreserved		
Realized earnings account	858,540,000	100,000,000
<b>Total fund balances</b>	<b>27,399,840,000</b>	<b>24,194,334,000</b>
<b>Total liabilities and fund balances</b>	<b>\$ 29,121,531,000</b>	<b>25,105,691,000</b>

## HOW DOES THE FUND GROW?

The Fund has three sources of potential growth each year:

- The state Constitution directs 25 percent of Alaska's mineral royalties, primarily oil royalties, be deposited into the Fund.
- Income flows in from stock dividends, bond interest and real estate rental fees.
- Assets can increase in value over the original purchase price, whether they are sold or held in the portfolio.

Sources of growth in fiscal 2004



## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	2004	2003
<b>Revenues</b>		
Interest	\$ 387,762,000	468,095,000
Dividends	258,029,000	214,602,000
Real estate and other income	167,302,000	177,153,000
	<b>813,093,000</b>	<b>859,850,000</b>
 Total interest, dividends, real estate and other income		
 Net increase (decrease) in the fair value of investments —		
Marketable debt securities	(262,987,000)	533,020,000
Preferred and common stock	2,777,126,000	(316,460,000)
Real estate	187,069,000	(12,485,000)
Foreign exchange contracts	(32,499,000)	(67,361,000)
Currency	(366,000)	2,630,000
	<b>2,668,343,000</b>	<b>139,344,000</b>
<b>Total revenues</b>	<b>3,481,436,000</b>	<b>999,194,000</b>
 <b>Expenditures</b>		
Operating expenditures	(42,171,000)	(36,633,000)
Other legislative appropriations	(5,585,000)	0
<b>Total expenditures</b>	<b>(47,756,000)</b>	<b>(36,633,000)</b>
<b>Excess of revenues over expenditures</b>	<b>\$ 3,433,680,000</b>	<b>962,561,000</b>
 <b>Other financing sources (uses)</b>		
Transfers in	353,072,000	397,642,000
Transfers out	(581,246,000)	(691,082,000)
	<b>3,205,506,000</b>	<b>669,121,000</b>
 <b>Fund balances</b>		
Beginning of period	24,194,334,000	23,525,213,000
End of period	<b>\$ 27,399,840,000</b>	<b>24,194,334,000</b>

## WHAT IS POMV?

Percent of Market Value is an idea proposed by the Trustees as a better way to manage the amount available to be paid out from the Fund. It would set a limit on spending from the Fund - no more than 5 percent of the Fund's market value could be withdrawn in any one year. This would protect the Fund from overspending, provide guaranteed inflation-proofing over time and make the formula for determining payouts match the current investments of the Fund.

Visit [www.apfc.org](http://www.apfc.org)

For answers to your questions about the Permanent Fund and for complete financial and investment information, please visit our web site at [www.apfc.org](http://www.apfc.org).

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ALASKA PERMANENT FUND CORPORATION

### Growth and stability for Alaska's future

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■ APFC Board will meet on September 8

AUGUST 30 - The Alaska Permanent Fund Corporation Board of Trustees will meet on September 8 in Juneau for a work session on the fiscal year 2006 budget, in addition to other business. The meeting is open to the public.

Agenda

■ Fund returns 14.1 percent for fiscal year

JULY 27 - The Permanent Fund ended fiscal year 2004 on June 30 with a 14.1 percent return and a total value of more than \$27.4 billion, according to preliminary Alaska Permanent Fund Corporation figures.

Fourth Quarter Report

Continue

■ Board gives Real Estate managers greater authority

**DAILY FUND POSITION**

Unaudited, as of August 31, 2004

U.S. Bonds	29%	\$7,280,000,000
Non-U.S. Bonds	5%	\$1,250,000,000
U.S. Stocks	38%	\$10,385,600,000
Non-U.S. Stocks	18%	\$5,038,200,000
Real Estate	8%	\$2,308,800,000
Alternative Invest.	1%	\$247,800,000
Alaska C.D.s	1%	\$173,300,000
<b>TOTAL</b>	<b>100%</b>	<b>\$27,291,700,000</b>

**PERCENT OF MARKET VALUE (POMV)**

The APFC Board of Trustees proposes a constitutional amendment to limit annual spending from the Permanent Fund to five percent of the Fund's total market value (POMV).

**Up-to-date information on POMV**

**FINANCIAL PROJECTIONS**

- Financial projections
- 5-year outlook

**APFC MISSION STATEMENT**

To maximize the value of Alaska's Permanent Fund through prudent long-term